

# Brentwood Borough Council

## INTERNAL AUDIT PROGRESS REPORT

March 2015



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# PROGRESS AGAINST PLAN

## Internal Audit

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2014/15 internal audit plan which was approved by this Committee in March 2014. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

## Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in section 2 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

## Work outside of the Internal Audit Plan

No additional work has taken place.

## Overview of 2014/15 work to date

Since the previous Audit and Scrutiny Committee in September, we have completed and finalised the reports for:

- Main Financial Systems

The reports for Revenues and Benefits and Partnership Arrangements are nearing finalisation, however have not been included in this Progress Report due to the deadline for the Council to receive and circulate Committee Papers.

The following audits are in progress and the reports will be presented to the Audit and Scrutiny Committee in July:

- Payroll
- Capital Projects
- Transformation Programme
- Fraud Arrangements
- Risk Management and Governance
- IT reviews

All audits will be completed by the end of March 2015.

# PROGRESS AGAINST PLAN

Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
<b>A Modern Council</b>					
Customer Service	20	Q1	Complete	Moderate	Moderate
Transformation Programme	20	Q4	Draft Report		
Performance Management	20	Q2	Complete	Moderate	Moderate
Financial systems	95	Q3/4	Complete (Note Payroll and Revenues & Benefits will be presented as separate reports)	Substantial	Moderate
Risk and Governance	20	Q4	In progress		
IT strategy, governance and data security	40	Q4	In progress		
Counter Fraud	15	Q4	In progress		
Car Parking and Golf Income	15	Q3/4	Complete	Limited	Moderate
<b>A Safe Borough</b>					
Partnership Working	20	Q1/Q2	Complete	Limited	Limited
	20				

# PROGRESS AGAINST PLAN

Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
<b>A Prosperous Borough</b>					
<b>Capital developments</b>	25	Q3/4	Draft Report		
	25				

Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
<b>Housing, Health and Wellbeing</b>					
<b>Housing systems</b>	30	Q3/4	Complete	Moderate	Moderate
<b>Repairs and Maintenance</b>	20	Q3	Complete	Moderate	Moderate
<b>Property management</b>	20	Q3	Complete	Moderate	Moderate
	70				

# PROGRESS AGAINST PLAN



Area	2014/15	Description of the Review
<b>Planning/ liaison/ management</b>	20	
<b>Recommendation follow up</b>	10	We will follow up high and medium priority recommendations raised by the previous internal auditors.
<b>Audit Committee</b>		
<b>Contingency</b>	10	
<b>Total</b>	<b>40</b>	
<b>Total</b>	<b>400</b>	

# SUMMARY AUDIT REPORT: Main Financial Systems

## CLIENT STRATEGIC RISKS

Risk	1	Finance pressures <ul style="list-style-type: none"> <li>Target levels for income are not achieved.</li> </ul>
This review relates to the risk that the Council does not achieve targets set for income.		
<b>LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)</b>		
Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

## SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)

High		
Medium		4
Low		2
<b>Total number of recommendations: 6</b>		

## OVERVIEW

The Council is required to operate a sound system of control over their financial processes to prevent and detect error or fraud. As this is the first year of BDO being the Council's internal auditors, we carried out a comprehensive review including the general ledger, accounts payable, accounts receivable, treasury management and budgetary control. The Council has also recently introduced the Collaborative Planning system so that budget managers are able to monitor their budgets more effectively.

Our review found the following areas of good practice:

- Comprehensive user guides for E-financials are available to all officers on the intranet and there is regular training of officers in Finance through external providers and ad-hoc individual training.
- Users require authorisation from a manager for their access rights to be set up on E-financials, this is reviewed on a monthly basis by the Systems Accountant. For a sample of three new users in 2014/15 they were supported by authorised forms from their Line Manager.
- We reviewed the three-way matching of invoices, goods received notes and purchase orders. Invoices that do not agree to the purchase order or goods received above 10% or £100 are flagged for further approval.
- Budget setting guidance was circulated to all Budget Managers in July 2014, this included details of the respective responsibilities of the officers involved in the budget setting process. All Budget Managers are assigned a "Link Accountant" as a point of contact within the Finance Department.

We also noted some areas for improvement or development:

- There were a number of reconciliations that did not have evidence of the review or had not had the date of the review noted; in addition a number of the reconciliations had not been completed on a timely basis. No issues were noted on the reconciliations arising as a result of lack of review or completion on a timely basis. (Medium Priority)
- The Council's Debt Recovery Policy is followed in the main, however debts are currently not being referred for civil action due to the policy currently being under review. The value of debts that require civil action is of a low value. (Medium Priority)
- Where accounts payable approve an invoice on behalf of another department the reason should be clearly documented and validated (Medium Priority)
- User access should be reviewed annually to ensure that the assignment of Officers to authorise expenditure, including limits set, for particular cost centres is reasonable and up to date. (Medium Priority)

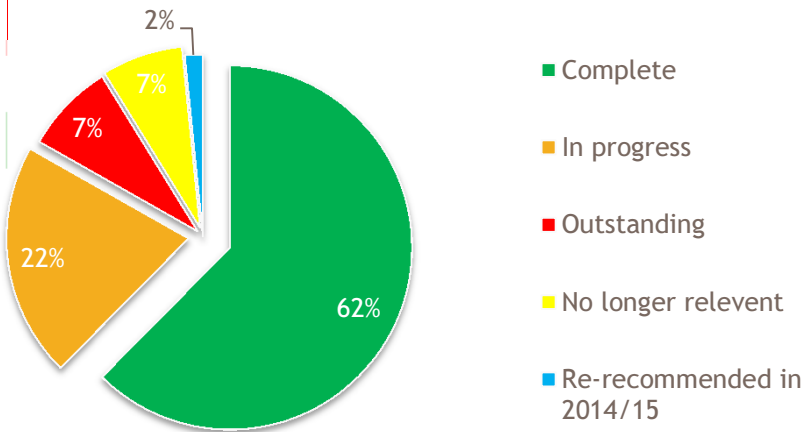
Overall we found that the council had a sound system of control over their financial processes, and we are able to provide substantial assurance over the design of the system. As we found some exceptions with some of the controls in place we provided moderate assurance over the effectiveness of controls.

# FOLLOW UP ON RECOMMENDATIONS - 2013/14

## Follow up of prior year recommendations

We have followed up and gained evidence on the progress made against the high and medium recommendations raised during 2013/14 by the previous internal auditors, which are due to be completed before this Audit and Scrutiny Committee.

The diagram on the right shows the percentage of recommendations in progress and implemented. We will continue to monitor the status of these recommendations. There remains 5 high priority recommendations which are in progress . We have re-recommended 2 recommendation in 2014/15.



	Number	Percentage
Complete	78	62%
In progress	27	22%
Outstanding	9	7%
No longer relevant	9	7%
Re-recommended in 2014/15	2	2%
<b>Total prior year recommendations</b>	<b>125</b>	<b>100%</b>



# 2013/14 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Council Comments	Manager Responsible	Due Date	Internal Audit Comments
Data/ Information Security	Review and Update of Incident Management Policy - The Incident Management policy should be fully updated to ensure all job titles are current and up to date and that there is full coverage on how to deal with a loss or breach of data. This review should include: ensuring job roles in the policy align to those in BBC; the who and how of the incident management team should be defined; review if the BERR Process is suitable for BBC to handle and if not, what should be done about the elements that are not; and there should be included details on how to handle and report an information breach or loss as well as a technical security incident.	H	The Executive support officer has been in post for two weeks - work will be underway to update the policy.	Laura Needham (formally Lee Taylor)	31/03/14	The draft policies have still not been updated. The responsible officer is working with the ICT Manager to finalise these.  We will continue to follow up on this recommendation.
Data/ Information Security	Update Information Policy Set - All the policies should be fully reviewed and amended in line with BBC job roles, procedures, localised processes and abilities. The most current version, version 6, should be reviewed and made local to BBC and then published and publicised to staff.	H	Policies reviewed and currently in draft	Laura Needham (formally Lee Taylor)	31/03/14	The draft policies have still not been updated. The responsible officer is working with the ICT Manager to finalise these.  We will continue to follow up on this recommendation.

# 2013/14 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Council Comments	Manager Responsible	Due Date	Internal Audit Comments
Planning Applications & Enforcement	Procedures (1) - The Planning Charters should be reviewed and updated in line with current legislation and the latest planning procedures. An up to date Validation Checklist should be produced and used by all staff responsible for validating and processing a planning application. The checklist should be signed and dated when the application has been assessed as valid. The procedures should be periodically reviewed and updated if necessary with the date of review recorded on the document.	H	The new administrative processes have been implemented as far as the core planning application processing is concerned. The renewed focus on these has contributed to much improve performance in processing times. However, there are several areas of less priority that have suffered as a consequence. For example, back scanning of applications has been delayed and needs to be addressed corporately.	Carole Vint (formally Tony Pierce)	30/04/13	Progress has been made in this area, however the updated Charters will not be adopted until Summer 2015.  We will continue to follow up on this recommendation.
Planning Applications & Enforcement	Procedures (2) - The Council should continue the efforts to fill the vacant posts and prioritise existing resources appropriately.	H	The Council should continue the efforts to fill the vacant posts and prioritise existing resources appropriately.	Carole Vint (formally Tony Pierce)	30/08/12	There continues to be vacancies in this area. Filling the vacancies has become more difficult now that HR has been outsourced.  We will continue to follow up on this recommendation.

# 2013/14 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Council Comments	Manager Responsible	Due Date	Internal Audit Comments
Planning Enforcement	<p>Planning Enforcement Policy - The Draft Planning Enforcement Policy should be updated to ensure that all amendments are addressed. The policy should be presented to members for consideration and agreement and produced as a final version when approved. The targets and timeframes endorsed within the Draft Planning Enforcement Policy should be embedded within the Councils working practices. It should be ensured that robust version control is maintained and any changes are formally documented.</p>		<p>A draft planning enforcement plan has been approved and published setting out revised targets and response times for investigation. As part of implementation of the plan, it is hoped that all future reporting of cases will be through the public website. However, this requires the purchased middleware between the web site and Uniform to be implemented. Once this is done, monitoring of performance using Uniform can be put into place, including key indicators set out in the draft planning enforcement plan.</p>	Carole Vint (formally Tony Pierce)	30/09/14	<p>The Planning Enforcement Policy has been drafted and the consultation period is now complete. The final version of the updated policy will go to members shortly for final approval.</p> <p>We will continue to follow up on this recommendation.</p>

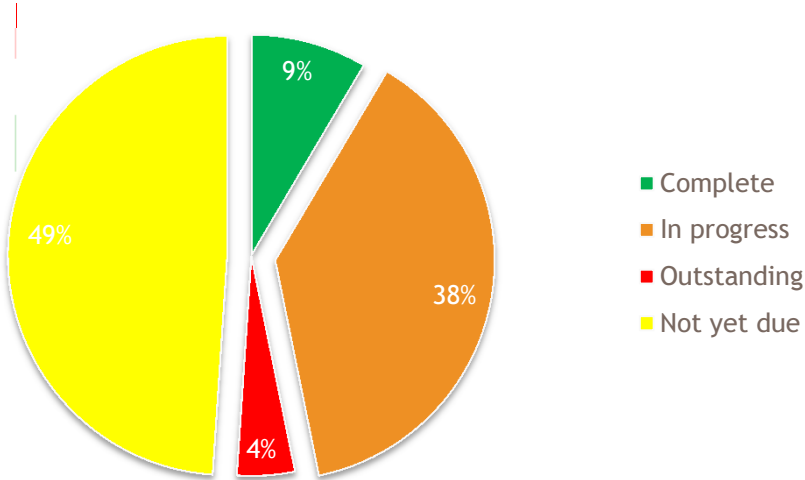
# FOLLOW UP ON RECOMMENDATIONS - 2014/15

## Follow up of current year recommendations

We are constantly monitoring the recommendations raised during 2014/15 and have followed up on the recommendations that have become due since the completion of our review.

The diagram on the right shows the status of the recommendations raised, in progress and implemented. We have raised 11 high priority recommendations during 2014/15, 1 of which has been implemented, 6 of which are in progress and 4 are not yet due. The 2 recommendations that are outstanding and not yet implemented are medium priority recommendations.

Please note that this diagram does not take account of the recommendations raised on the Main Financial System.



	Number	Percentage
Complete	4	9%
In progress	18	38%
Outstanding	2	4%
Not yet due	23	49%
<b>Total current year recommendations</b>	<b>47</b>	<b>100%</b>

# 2014/15 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Customer Services	In order to realise tangible savings in the current financial year, the customer services team will need to carry out an exercise to record any savings that have been made to date as a result of the contact centre and put in place a monitoring framework to capture future savings.	High	Lorraine Jones Customer Contact Manager	31/08/14	The savings have not been achieved for 2014/15 and won't be realised for a few years. The new Head of Customer Services has developed a new plan and a Customer Services Strategy and is taking a more structure approach to Customer Services and the savings that can be realised. A full review of all service areas is being undertaken in 2014/15 to establish how the Customer Services function and the service areas can work together going forward. Until this review and all service areas are on board the savings achieved cannot be seen. The Customer Services Department will be the main point for recording the savings and efficiencies across all departments. This is on-going and will not realistically be seen as implemented until the full service review is completed in November 2015.
Customer Services	In order that the contact centre is able to achieve year on year savings, the Council will need to have a channel shift strategy in place with specific goals for reducing contact across each channel. This will support the contact centre to set and deliver achievable targets. We can provide good practice examples from other Councils.	High	Lorraine Jones Customer Contact Manager	31/09/14	Customer Access Strategy to be reported to Finance & Resources 14.01.2015. Customer Access Strategy Implementation Plan to include development of Channel Shift Strategy with targets. The Full strategy will not be finalised until the full service review has been undertaken, which is due to be completed in November 2015.
Customer Services	We recommend that before the second round of business process mapping takes place, the Council develops a customer access strategy. This strategy will also be instrumental in informing what type of technology the Council procures to get to a "single customer view". It will also ensure that the second business process mapping exercise supports the council's channel shift goals. Lastly, a strategy will provide direction for customer services staff over the types of channels which they should be promoting in their interactions with Brentwood customers. We can provide good practice examples from other Councils.	High	Lorraine Jones Customer Contact Manager	31/09/14	Customer Access Strategy to be reported to Finance & Resources 14.01.2015. Further business process mapping work to be undertaken as part of Service Customer Services Programme with different departments. Expected completion date - November 2015.

# 2014/15 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Performance Management	The Council should ensure that all key performance indicators are in line with the Corporate Plan, resulting in corporate priorities being achieved. Where key targets are varied from the Corporate Plan these should be agreed with the relevant portfolio holder member.	High	Phil Ruck	31/01/15	The responsible officer is in the process of updating and revamping the performance indicator dashboard and revisiting key performance indicators.
Performance Management	Targets within the Performance Indicator Dashboard should be set at a level that should be both achievable and challenging to ensure that the Council not only meet targets but begin to perform above targets. In addition, where applicable, timescales should be set for each performance indicator within the dashboard. These timescales could be staggered to show short term and medium term targets which will make the performance indicator more achievable and also more likely to be achieved by staff.	High	Phil Ruck	31/01/15	The responsible officer is in the process of updating and revamping the performance indicator dashboard.
Repairs and Maintenance	It is recommend that the Council formally documents the repairs and maintenance processes and controls, so that the improvements and knowledge built up under the new contracts and processes can be passed on once the Property Manager position is permanently filled. For the out of scope works invoices, we suggested that the Property Manager signs the invoices confirming that they have been agreed to an approved schedule of works completed prior to the invoice being approved for payment on E-financials. For all out of scope works exceeding £250, it should be ensured that an order number has been raised on Orchard prior to the works being carried out. We can provide further assistance on the design of the controls in the process.	High	Keith Carter	31/01/15	The processes and controls are in the process of being documented.

# KEY PERFORMANCE INDICATORS

## Performance measures for internal audit

<i>Coverage</i>	
Audits completed against the Annual Audit Plan.	We expect to complete the audit plan by the end of the financial year. Seven audits are complete and the rest are in progress.
Actual days input compared with Annual Audit Plan.	All days are in line with the plan.
<i>Reporting</i>	
Issuance of draft report within 3 weeks of fieldwork `closing` meeting.	All draft reports have been issued within 3 weeks of the closing meeting.
Finalise internal audit report 1 week after management responses to report are received.	All draft reports have been finalised within 1 week of management responses being received.
<i>Relationships and customer satisfaction</i>	
Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit.	Good feedback has been received on all audits completed.
Annual survey to Audit Committee to achieve score of at least 70%.	A year end customer satisfaction questionnaire will be issued to key stakeholders, the results of which will be included in our year end plan.
<i>Staffing &amp; training</i>	
At least 60% input from qualified staff.	100% of staff working on the Customer Services and Housing reviews have been qualified. 60% of qualified staff have been used on the audits.
<i>Audit Quality</i>	
Reliance on work by EY where appropriate.	Not applicable at this stage.
Positive result from any external review.	Not applicable at this stage.

# KEY PERFORMANCE INDICATORS

Performance measures for management and staff

<i>Response to reports</i>	
Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.	<ul style="list-style-type: none"><li>Partnership Review: Terms of reference was agreed by the audit sponsor within two weeks of receipt. Draft report not yet issued as audit work is in progress.</li><li>All other terms of reference and draft reports have been agreed within the timescale.</li></ul>
<i>Implementation of recommendations</i>	
Audit sponsor to implement all audit recommendations within the agreed timeframe.	Not applicable at this stage.
<i>Co-operation with internal audit</i>	
Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff.	Appropriate co-operation has been provided by management and staff to date.



# SECTOR UPDATE

## Publications and articles

- The provisional Local Government 2015/16 Finance settlement allocations have been published and can be found on the following link:

<https://www.gov.uk/government/publications/key-information-for-local-authorities-and-non-domestic-rates-pools-provisional-local-government-finance-settlement-2015-to-2016>

- The following CIPFA publications have recently been issued:

**Accounting for Collaboration in Local Government (including Group Accounts Workbook):** This fully updated publication incorporates the previous Group Accounts Workbook and now covers the accounting implications of other collaborative arrangements that authorities might enter into that are outside the scope of group accounts, such as joint operations and shared services.

<http://www.cipfa.org/policy-and-guidance/publications/a/accounting-for-collaboration-in-local-government-book>

**Outcomes and Public Service Delivery:** There is a noticeable increase in the use of outcome-based approaches to public service delivery and accountability both at national and local levels. This guide will be useful for people working with or in organisations delivering public services, including managers and officers interested in outcomes based approaches to service delivery, and in commissioning services.

<http://www.cipfa.org/policy-and-guidance/publications/o/outcomes-and-public-service-delivery-book>

**It's a Risky Business - 2014 Edition:** This publication provides practical guidance, using case studies and examples drawn across the sector, to meet the standards and to continue to make a valuable contribution to risk management.

<http://www.cipfa.org/policy-and-guidance/publications/i/its-a-risky-business-2014-edition-book>

- The following NAO Reports have recently been issued:

**Public Health England's grant to local authorities:** The National Audit Office (NAO) has recently published a report that finds that Public Health England (PHE) has made a good start in supporting local authorities with their new responsibilities for public health. The NAO considers however that it is too early to tell whether PHE's approach is achieving value for money.

<http://www.nao.org.uk/report/public-health-englands-grant-to-local-authorities/>

**Financial sustainability of local authorities 2014 and The impact of funding reductions on local authorities:** The National Audit Office (NAO) has recently published two complimentary reports examining local authority finances: Financial sustainability of local authorities 2014 and The impact of funding reductions on local authorities. The NAO finds that local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. Over a quarter of single tier and county councils (those authorities responsible for social care and education) had to make unplanned reductions in service spend to deliver their 2013-14 budgets. The NAO also found that there is significant variation in the way that authorities have responded to the funding reductions.

<http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/>

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# APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
<b>Substantial</b>	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b>	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b>	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b>	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



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